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TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **COMMUNITY AND SENIOR SERVICES – FISCAL MONITORING OF
DISPUTE RESOLUTION PROGRAM SERVICES FOR FISCAL YEAR
2014-15**

Community and Senior Services (CSS) contracts with cities and community based non-profit organizations (service providers) to provide Dispute Resolution Program (DRP) services to individuals, businesses, and organizations in Los Angeles County. DRP services assist in resolving community disputes, day of hearing civil court disputes, and victim-offender disputes.

CSS' DRP contracts are cost-reimbursement contracts which reimburse service providers for actual expenses. At the request of CSS, we contracted with a Certified Public Accounting firm, Simpson & Simpson, LLP (Simpson & Simpson), to conduct fiscal monitoring reviews of the 12 service providers that had contracts with CSS during Fiscal Year 2014-15. CSS awarded approximately \$1.66 million to the DRP service providers during the year.

Review Summary

As indicated in the attached schedule, Simpson & Simpson identified \$300,383 in questioned costs billed to CSS. Specifically, Simpson & Simpson noted:

- \$97,827 in expenditures that were based on 1/12th of the annual contract budget instead of actual expenditures incurred.

- \$94,117 in payroll expenditures that were not supported with signed timecards.
- \$69,154 in program expenditures that were not supported with adequate documentation.
- \$21,102 in program expenditures that exceeded the maximum allowed for the line item budget.
- \$18,182 in program expenditures that were not approved by the service providers' management.

In addition, some DRP service providers did not always comply with their County contract requirements and other applicable guidelines. Specifically, of the 12 service providers:

- Seven (58%) did not prepare their bank reconciliations appropriately.
- Three (25%) did not submit invoices to CSS timely.
- Three (25%) did not have adequate segregation of duties in cash handling and payroll functions.
- Four (33%) did not have adequate internal controls over procurement.

The questioned costs for each service provider and contract compliance issues noted in the reviews are detailed in the Attachment.

Review of Report

Simpson & Simpson provided and discussed each report with CSS and each service provider. CSS management indicated that they will resolve the questioned costs and contract compliance issues in accordance with their Resolution Procedures Directive.

Due to the number of reviews, copies of individual reports are not enclosed; however, the reports are available for your review upon request. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:PH:DC:EB:sk

Attachment

c: Sachi A. Hamai, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Public Information Office
Audit Committee

**Community and Senior Services
Fiscal Monitoring of Dispute Resolution Program Services
Fiscal Year 2014-15**

	Service Provider	Contract Amount	Questioned Costs	A	B	C	D	E	F	G	H	I
1	Asian Pacific American Dispute Resolution Center	\$ 88,983.00	\$ 21,218.41		\$ 2,099.57	\$ 2,156.11	\$ 16,833.00	\$ 129.73	X	X	X	
2	California Academy of Mediation Professionals	\$ 137,155.00	\$ 24,834.45		\$ 14,222.41	\$ 10,612.04			X		X	X
3	California Conference for Equality and Justice	\$ 78,261.00	\$ 107,028.80	\$ 97,827.00	\$ 9,201.80							X
4	California Lawyers for the Arts	\$ 20,919.00	\$ -						X			X
5	Center for Conflict Resolution	\$ 229,880.00	\$ 31,976.54		\$ 13,500.00	\$ 9,866.33		\$ 8,610.21	X	X	X	X
6	Centinela Youth Services	\$ 226,109.00	\$ 26,981.56			\$ 24,371.56	\$ 2,610.00		X	X		
7	City of Norwalk	\$ 20,717.00	\$ 11,101.36				\$ 1,659.00	\$ 9,442.36	X			
8	Korean American Coalition	\$ 16,995.00	\$ 12,983.00		\$ 2,368.00	\$ 10,615.00			X			
9	Los Angeles County Bar Association Center for Civic Mediation	\$ 74,462.00	\$ 232.00			\$ 232.00						
10	Los Angeles County Department of Consumer and Business Affairs	\$ 329,159.00	\$ 15,058.72		\$ 3,757.47	\$ 11,301.25						
11	Loyola Law School Center for Conflict Resolution	\$ 235,388.00	\$ 48,968.00		\$ 48,968.00							
12	Office of the Los Angeles City Attorney	\$ 203,391.00	\$ -									
		\$ 1,661,419.00	\$ 300,382.84	\$ 97,827.00	\$ 94,117.25	\$ 69,154.29	\$ 21,102.00	\$ 18,182.30	7	3	3	4

Footnotes

- A** Expenditures based on 1/12th of the annual contract budget instead of actual expenditures incurred.
- B** Payroll expenditures that were not supported with signed timecards.
- C** Program expenditures that were not supported with adequate documentation.
- D** Program expenditures that exceeded the maximum allowed for the line item budget.
- E** Program expenditures that were not approved by the service providers' management.
- F** Did not prepare their bank reconciliations appropriately.
- G** Did not submit invoices to Community and Senior Services timely.
- H** Did not have adequate segregation of duties in cash handling and payroll functions.
- I** Did not have adequate internal controls over procurement.